

**CITY OF MEDINA, WASHINGTON  
RESOLUTION NO. 377**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MEDINA,  
WASHINGTON, AMENDING THE FINANCIAL MANAGEMENT POLICIES  
AND ADOPTING INVESTMENT POLICIES FOR INVESTING CITY FUNDS**

WHEREAS, during the October 10, 2011 Regular Meeting, the Medina City Council adopted by motion Financial Management Policies; and

WHEREAS, it is the policy of the City of Medina to invest public funds in a manner that will provide the maximum security of the principal; meet the daily cash flow demands of the City; provide the City with the highest investment return and conform to all Washington statutes governing the investment of public funds; and

WHEREAS, the City's investments will be in compliance with all statutes governing the eligible investments for public funds in the State of Washington, in accordance with the Revised Code of Washington (RCW) 35A.40.050; and

WHEREAS, safety of principal is the foremost objective of the City of Medina; and

WHEREAS, City investments shall be undertaken in such a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio; and

WHEREAS, the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated; and

WHEREAS, the City's investment portfolio shall be designed with the objective of attaining a market rate of return taking into account the City's risk constraints and the cash flow requirements; and

WHEREAS, the City's current Financial Management Policies, under the section "Investment Policies," limits the investment of all City funds not required for cash flow to the Washington State Local Government Investment Pool ("LGIP"); and

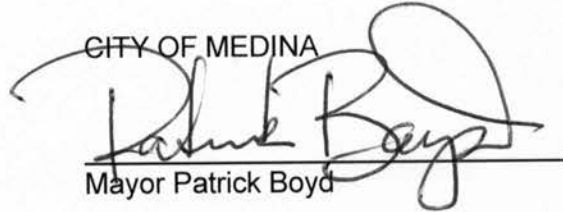
WHEREAS, after further review and study of the various investment options authorized by state law and recommended by the City's Finance Director and financial advisor, and after meeting to review and discuss investment options for City funds on March 12, 2015, the City Council's Finance Committee recommends that the City Council adopt amended Financial Management Policies to amend the Investment Policies section to allow greater flexibility and to maximize returns on City investments by specifically allowing the City to invest funds outside of the LGIP, as reflected in the proposed amended "Financial Management Policies," attached hereto as Exhibit A (proposed deleted text stricken through and new proposed text underlined);

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MEDINA, WASHINGTON, DOES RESOLVE AS FOLLOWS:

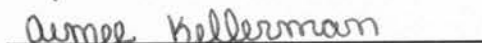
Section 1. Amended Financial Management Policies Adopted. The City Council finds it in the best interest of the City to allow greater flexibility and to maximize returns on City investments and hereby adopts the amended Financial Management Policies attached hereto as **Exhibit A**.

Section 2. Effective Date. This resolution shall take effect immediately upon signing.

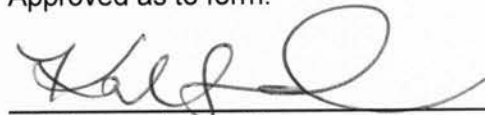
PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 13TH DAY OF APRIL, 2015.

CITY OF MEDINA  
  
\_\_\_\_\_  
Mayor Patrick Boyd

ATTEST/AUTHENTICATED:

  
\_\_\_\_\_  
Aimee Kellerman, City Clerk

Approved as to form:

  
\_\_\_\_\_  
Kari L. Sand, City Attorney  
Kenyon Disend, PLLC

## EXHIBIT A

### City of Medina, Washington Financial Management Policies

#### General Financial Goals:

Ensure a financial base that is sufficient to sustain City of Medina Municipal Services, able to withstand local and regional economic challenges, able to adjust to changes in service requirements and maintain sound fiscal policies in support of these goals.

#### Financial Management Policies:

The Financial Management Policies assembles all of the City's financial policies in one document. They are the tools to ensure that the City is financially able to meet its immediate and long-term service objectives. The individual policies contained herein serve as guidelines for both the financial planning and the internal financial management operations of the City.

The City of Medina is accountable to its citizens for the use of public dollars. Municipal resources must be used wisely to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

The City of Medina's Financial Management Policies, and any amendments thereto, shall be adopted by resolution of the City Council.

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#### Policy Objectives:

The Financial Management Policies have the following objectives for the City's fiscal performance:

- Guide City Council and Management Policy decisions.
- Establish operating principles that minimize the cost of government and financial risk.
- Maintain revenue policies that ensure adequate funding for desired programs, currently, as well as in the future.
- Promote sound financial management by providing accurate and timely reporting information on the financial condition of the City.
- Protect the City's credit rating and provide for adequate resources to meet the provision of any debt incurred by the City.
- Ensure the legal use of financial resources through an effective system of internal controls.

- Promote cooperation and coordination with other governments and the private sector in the financing and delivery of services with the goal of obtaining the best value for the tax dollar.

#### **Budget Policies**

- a. The annual budget will be designed in support of the Strategic Goals of the City and will focus on continual evaluation of the City's success at achieving the goals and policies it has set for itself. The operating budget is the City's comprehensive annual financial plan which provides for City services based on City priorities.
- b. The annual budget shall be developed consistent with state law and in a manner which encourages early involvement with the public and City Council.
- c. The City Council will establish municipal service levels and priorities for the ensuing year prior to and during the development of the preliminary budget.
- d. The City will maintain a balanced budget. The use of existing fund balances to achieve a balanced budget (while generally accepted as a practice in Washington Cities), is not sustainable for the long term. The City prefers to adopt an operating budget where current revenues meet or exceed current budgeted expenditures.
- e. The Finance Department will maintain a system for monitoring the City's financial performance. The system will provide the City Council with monthly and/or quarterly information in a timely manner at the fund level, by revenue resources and department level expenditures.
- f. Under the provisions of state law and the City's operating procedures, the budget is adopted at the fund level. Adjustments or reallocations of existing appropriations within the fund level, which do not change the bottom line of the fund, may be done administratively and do not require Council action. Additions to, or reductions of fund level appropriations, which change the bottom line of the fund, require an amendment of the budget and City Council action by Ordinance.
- g. Supplemental budget appropriations (appropriations requested after the original budget is adopted) will be submitted in the form of a Budget Amendment and will be considered as a result of the availability of new revenues.
- h. The annual budget will provide for the design, construction, maintenance and replacement of the City's Capital, facilities and equipment consistent with the Capital Facilities Plan/ Comprehensive Plan/ Capital Improvement Plan, including the associated cost for operating the facilities.
- i. The City will maintain all assets at such a level that it protects the City's capital investment and minimizes future maintenance and replacement costs.
- j. The City will develop an equipment replacement and maintenance needs list by department for the life cycle of the equipment and will utilize this list during the annual budget development process.
- k. Small and attractive assets: accurate inventory of all physical assets, their physical location, and serial numbers/asset id numbers will be maintained at the direction of the Finance Department to ensure proper stewardship of public property.

- I. Fixed assets: inventories of larger physical fixed assets costing more than \$5,000 and having a useful life of more than one year, will be maintained on a Fixed Asset Schedule and will be updated as the property is added, retired or sold.

#### **Reserve Fund Policies**

Adequate reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

#### General Fund Operating Balance: Minimum 25% Fund Balance

The City will maintain General Fund Operating Balances at a minimum level of 25% of the Total General Fund Budgeted Expenditures.

The General Fund Operating Balance shall be created and maintained to provide sufficient cash flow to meet the needs of daily financial operations ~~needs~~.

In general, the City shall endeavor to support ongoing operations with ongoing revenues, but may use General Fund Operations Balances on a one-time basis to support City services pending the development of a longer term financial solution.

The General Fund Operating Balance should not be used in a manner that puts the City in danger of being unable to sustain future operations. If the General Fund Operating Balance falls below the policy level stated above, it will be important for the City to create a long term plan to replenish the fund balance level.

Budget surpluses in the General Fund Operations Balance may be used to fund one-time operations and capital expenditures dedicated to the Capital Improvement Plan, or placed into the Capital Fund Reserve if:

- a) There are surplus balances remaining after all current expenditure obligations are met.
- b) The City has made a determination that revenues for the ensuing budget year are sufficient to support budgeted General Fund Operating needs.

A surplus is defined as the difference between the actual beginning fund balance and budgeted beginning fund balance. It consists of "under-expenditures" and/or "excess revenues" over and above the amounts included in the following annual budget.

#### Capital Fund Reserve: Minimum 20% of the General Fund

The Capital Fund Reserve may be used for the following:

- a) To sustain City services in the event of a catastrophic event such as a natural/manmade disaster (e.g. earthquake, windstorm, flood, terrorist attack) or a major downturn in the economy.
- b) To fund the Capital Improvement Plan.

All expenditures which are transferred into and out of the Capital Fund Reserve, shall be authorized by the City Council during the annual budget process, or shall require separate City Council approval.

Equipment Replacement Account:

The City may elect to maintain an Equipment Replacement Account for the purpose of funding fleet maintenance (police and public works) or a capital equipment reserve for the purpose of capital asset replacement.

**Revenue Policies**

- a. To the extent possible, a diversified and stable revenue system will be maintained in order to improve the City's ability to handle fluctuations in individual revenue sources.
- b. Revenue forecasts should be realistically estimated and based on the best information available. The City will take into consideration that revenues are subject to local and regional economic activities.
- c. Short-term (less than one year) economic downturns and temporary gaps in cash flow: Expense reductions and/or restrictions may be imposed. Council may approve a transfer from the Capital Fund Reserve to address a temporary downturn in City revenues.
- d. Long-term (greater than one year) revenue downturns: Revenue forecasts will be revised. Expenses will be reduced to help stabilize the long term impacts and/or revenue increases will be considered.
- e. All potential grants shall be carefully examined for matching requirements. Some grants may not be accepted if the local matching funds cannot be justified. Grants may also be rejected if programs must be continued with local resources after grant funds are exhausted. Prior to grant approval, future expenditure impacts (e.g. ongoing repairs and maintenance) should be identified and communicated to management.
- f. The City will set fee schedules at levels sufficient to cover the entire cost of service delivery. The City will systematically review user fees and consider adjustments as necessary to take into account the effects of additional service costs and inflation.
- g. The City will review contracts and leases, which result in revenues to the City on a timely basis in order to ensure approval by the Council and ongoing revenue streams.

### **Expenditure Policies**

- a. The City budget will provide for sustainable levels of service.
- b. The City will propose only those operating expenditures, which can be supported from on-going operating revenues.
- c. The City's operating budget will not use one-time revenues to support ongoing expenditures. Before the City undertakes any agreements that would create fixed on-going expenses, the cost implications of such agreements will be fully determined for current and future years. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures will be reviewed for compliance with this policy provision.
- d. Department heads are responsible for managing their budgets within the total appropriation for their department.
- e. The City will maintain expenditure categories according to state statute and administrative regulation.
- f. All compensation planning and collective bargaining will focus on the total cost of compensation, which includes direct salary, health care benefits, pension contributions, education, training allowance, and other benefits of a non-salary nature, which are a cost to the City.

### **Purchasing Policies**

- a. The City will follow state laws, adopted resolutions, ordinances and policies regarding procurement.
- b. The Director of Finance shall develop detailed procedures for purchasing, credit card usage, petty cash, expenditure authorization and/or contract management activities.
- c. Federal funds or Grants: When procurement involves the expenditure of federal funds or grants, the purchase shall be conducted in accordance with any applicable federal/grant laws or regulations. When purchasing items to be reimbursed by a grant, the purchaser will perform the due diligence required to ensure that the purchase meets the criteria of the specific grant prior to initiating the purchase and requesting a release of City funds for the purchase.
- d. Emergency Procurement: The City Manager or designee may make or authorize others to make emergency procurements of materials, supplies or equipment or services when a threat to public health, welfare or safety exists. State Laws relating to emergency declaration and emergency purchases will be followed.

### **Capital Investment Policies**

- a. The City will make capital improvements in accordance with an adopted Capital Improvement Plan.
- b. It will be the policy of the City to maintain a Capital Facilities Fund to provide funding for future facilities including debt repayment. The use of any funds within the Capital Facilities Fund will be as approved by City Council.
- c. The Capital Improvement Plan and the base budget will be reviewed at the same time to ensure that the City's capital and operating needs are funded and that the Capital Improvement Plan is aligned with the City's other long-range plans.
- d. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval.
- e. The City will comply with state and local laws regarding use of Real Estate Excise Tax (REET) Revenue.

### **Accounting, Auditing and Financial Reporting**

The City will maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives are met.

**Accounting Records and Reporting:** The City will maintain its accounting records in accordance with state and federal regulations. Budgeting, accounting and reporting will conform to Budgeting, Accounting and Reporting System (BARS) for Governments as prescribed by the Washington State Auditor's Office. Regular monthly and annual financial reports will present a summary of financial activity by fund type and will be provided to the City Council.

**Auditing:** The City shall prepare and submit in a timely manner, the Annual Financial Report to the Washington State Auditor's Office in accordance with the standards established for the Annual Financial Report. The Washington State Auditor's Office will perform the City's financial and compliance audits on an annual basis. Results of the audit will be provided to the City Council in a timely manner.

The Finance Department will develop, maintain, and consistently seek to improve cash management systems and processes which will ensure the accurate and timely accounting, investment and security of all cash assets. Cash received will be deposited in a timely manner and monies will be safeguarded (e.g. kept in a safe) until they are deposited.

The City will establish a Petty Cash Fund in the amount of \$200. The Petty Cash Fund is to be used solely for the purpose of making payment and/or small reimbursements for City related purchases.



## Investment Policy

~~The City will use the State Investment Pool for all funds not required for cash flow.~~

The City will use the State Investment Pool for all funds not required for cash flow.

### 1.0 Policy:

It is the policy of the City of Medina to invest public funds in a manner which will provide the maximum security of the principal; meet the daily cash flow demands of the City; provide the City with the highest investment return and conform to all Washington statutes governing the investment of public funds.

### 2.0 Objective:

The City's investments will be in compliance with all statutes governing the eligible investments for public funds in the State of Washington, in accordance with the Revised Code of Washington (RCW) 35A.40.050.

The primary objectives, in priority order, of the City's investment activities shall be:

- a) Safety: Safety of principal is the foremost objective of the City of Medina. Investments of the City shall be undertaken in such a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- b) Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated.
- c) Return on Investment: The City's investment portfolio shall be designed with the objective of attaining a market rate of return taking into account the City's risk constraints and the cash flow requirements.

The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate all investment activities, and report promptly to the Council any adverse development with any investment.

### 3.0 Ethics and Conflicts of Interest:

Anyone involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and Council Member officials shall disclose to the City Manager and the City Council any material financial interests in financial institutions that conduct business with the City, and she/he shall further disclose any personal

financial/investment positions that could be related to the performance of the City's portfolio. Employees and Council Member officials shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.

#### 4.0 Authorized Financial Dealers/Institutions:

Authorized broker/dealers and financial institutions will be limited to those that are approved by the Finance Committee and meet one or more of the following:

- a) Financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- b) Primary dealers recognized by the Federal Reserve Bank; or,
- c) Non-primary dealers qualified under the U.S. Securities and Exchange Commission Rule 15c3-1, the Uniform Net Capital Rule, and a certified member of the National Association of Securities Dealers.

At the request of the City, financial institutions, brokers and dealers performing investment services for the City shall provide their most recent financial statements or Consolidated Report of Condition ("call report") for review.

#### 5.0 Authorized Investments:

The City may invest in any of the securities identified as eligible investments as defined by RCW 35A.40.050. In general, these consist of:

- a) Investment deposits (certificates of deposits) with qualified public depositories as defined in Chapter 39.58 RCW.
- b) Certificates, notes or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
- c) Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to, Federal Home Loan Bank notes and bonds; Federal Farm Credit Bank consolidated notes and bonds, and Federal National Mortgage Association notes, bonds and guaranteed certificates of participation.)
- d) Bankers' acceptances purchased on the secondary market.
- e) Bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.
- f) Repurchase agreements for securities listed in 2, 3 and 4 above, provided that the transaction is structured so that the City of Medina obtains control over the

underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer.

g) The State of Washington Local Government Investment Pool.

h) For a complete list of eligible investments for public funds in the state of Washington, visit: [http://www.tre.wa.gov/documents/inv\\_elig.pdf](http://www.tre.wa.gov/documents/inv_elig.pdf)

#### 6.0 Safekeeping and Custody

All securities transactions entered into by the City of Medina shall be conducted on a delivery versus-payment (DVP) basis. Securities will be held by a third party financial institution designated by the Finance Director as custodian on the City's behalf. All securities purchased by the City of Medina shall be properly designated as an asset of the City and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Finance Director as authorized herein, or by the Director's designee.

#### 7.0 Reporting:

The Finance Director will determine what investment information will be included in the monthly financial report.

### **Debt Policy**

The City will maintain adequate available debt capacity for specific priority projects.

The objectives of the City's Debt Management Policy will be to minimize the need for debt by maintaining strong revenue sources which meet or exceed expenditures.

Debt may be utilized to address short-term cash flow needs and/or to finance significant capital or other obligations. Debt will not be used to fund long-term revenue shortages. City Council approval is required to approve the issuance of debt.

Current Operations will not be financed with long term debt. In the event that the need for long term debt arises, the term of the long term debt will not exceed the life of the projects financed.

When evaluating the use of non-voted Councilmanic Debt and the associated debt service obligations, an analysis shall be performed to determine the City's ability to make debt service payments, taking into account revenue fluctuations associated with periodic economic cycles. Debt may be considered where the Director of Finance can demonstrate that there is sufficient projected discretionary revenue to service the debt without disrupting the City's existing service delivery or programs.

Voted and non-voted Councilmanic Debt will be used prudently in a manner to avoid an adverse impact on the City's credit rating or ability to issue subsequent or additional debt.

Upon the issuance of any debt, the Director of Finance will establish the appropriate procedures to assure compliance with bond/debt covenants and applicable federal, state and local laws, policies and regulations.

In the event that the use of debt is required, the City will raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by keeping a high credit rating, and maintaining a good reputation in the credit markets by managing the annual budget responsibly.